



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: January 27, 2006

TO: LFC Workgroup – HIFA Concept Paper

FROM: Lois Steinbeck

RE: Summary of Information Requests and Potential Action Items

The Legislative Finance Committee (LFC) appointed a workgroup to review and comment on the Health Insurance Flexibility and Accountability (HIFA) waiver concept paper published October 2005 by the Department of Public Health and Human Services (DPHHS). The workgroup held a telephone conference call Tuesday, January 24, 2006 to discuss the concept paper and a legislative fiscal staff analysis of the paper. The following issues were raised and requests for additional information were made.

1. Clarification of the Maintenance of Effort (MOE)

The workgroup requested that the staff estimate the MOE required under the HIFA waiver be updated to include observations made by DPHHS. The staff paper estimated MOE at \$5._____ million. However, the MOE is closer to \$7.6 million.¹ Figure 2 of the staff report has been updated to reflect this change and is included in this memo for reference.

¹ The actual MOE will be different than the estimate in Figure 2 because it will be based on actual annual state spending prior to waiver implementation.

State Match for HIFA Waiver - Year 1			
Program/Use of Matching Funds/ Services or Admin./Fund Type	Amount	Balance to Expand/Admin.	Percent of Total
1. State Program and Match Contribution			
MHSP - Adults	\$4,863,835		80%
MT Comprehensive Health Assoc.	172,433		3%
Small Employer Premium Asst.	<u>1,037,984</u>		<u>17%</u>
Total HIFA Match	\$6,074,252		100%
2. Match for Services and Remainder for Expansion/Admin.			
<u>MHSP - Adults</u>			
Total Waiver Match Contribution	\$4,863,835		
Match to Continue Current MH Svcs.	<u>2,050,747</u>		
Remainder of MHSP \$\$ for Match to Expand		\$2,813,088	98%
<u>MT Comprehensive Health Association</u>			
Total for Waiver Match	\$172,433		
Match for Medicaid Services	<u>172,433</u>		
Remainder for Expansion or Administration		0	0%
<u>Small Employer Premium Assistance</u>			
Total for Waiver Match	\$1,037,984		
Match for Medicaid Services	<u>993,769</u>		
Remainder of Small Employer to Admin.		<u>44,215</u>	<u>2%</u>
Total for Expansion of Services and Admin.		\$2,857,303	100%
3. Allocation of Match for Service Expansion and Administration			
<u>MHSP Services Expansion</u>			
Physical Health Benefit		\$882,042	31%
Inpatient Hospitalization		59,840	2%
<u>Services for Persons Transitioning Off Medicaid</u>			
Children		770,586	27%
Adults		388,727	14%
SED Youth		198,968	7%
Nurse First Hotline for all Waiver Participants		12,925	0%
Program Administration		<u>544,215</u>	<u>19%</u>
Total Allocation of Match for Expansion		\$2,857,303	100%
4. Fund Type of Each State Match Source*			
General Fund - MHSP	\$1,613,835		27%
<u>State Special Revenue</u>			
Tobacco Tax			
MHSP	3,250,000		54%
Small Employer Premium Asst.	1,037,984		17%
Insurance Policy Tax - MCHA	<u>172,433</u>		<u>3%</u>
Total State Funds	\$6,074,252		100%
5. Estimated Maintenance of Effort - State Funds*			
<u>MHSP</u>			
General Fund	\$3,762,471		50%
Tobacco Tax State Spec. Rev.	3,250,000		
MT Comprehensive Health Assoc.	<u>570,000</u>		<u>8%</u>
Total	\$7,582,471		57%
*The totals for the source of state match and the state maintenance of effort do not match because the Small Employer Premium Assistance Program is new and is not being "refinanced" through the HIFA waiver. Therefore, the funds spent for the Small Employer Premium Assistance Program will not be included in the state maintenance of effort for waiver services.			
Figure 2			

The staff estimate was too low because it included only the state matching funds for the HIFA Medicaid match. However, Montana must maintain state funding equal to the amount of state money spent on both the Mental Health Services Plan (MHSP) and the Montana Comprehensive Health Association (MCHA) premium assistance program prior to implementation of the HIFA waiver. The MOE will apply throughout the life of the HIFA waiver.

Workgroup Decision Point: Does the workgroup wish to request that DPHHS include specific clarification of the MOE requirement in the HIFA waiver proposal?

2. Cost to Maintain Enrollment of Adults and Children Transitioning off Medicaid

The workgroup expressed concerns about proposed enrollment reductions over the life of the waiver for adults and children transitioning off Medicaid. DPHHS staff noted that those two groups were reduced to keep the waiver cost neutral to the state – meaning that there would be no more state funds spent on the HIFA waiver than without the waiver. Since inflation was applied to health costs over the life of the waiver and total costs increased as a result, DPHHS reduced numbers served in the populations transitioning off Medicaid to keep the total state cost constant over the life of the waiver. It would cost \$1.8 million in state matching funds to maintain enrollment at 1,600 children and 650 adults over the life of the waiver. That estimate is based on the following assumptions used in the DPHHS analysis:

- o Annual inflation of 3 percent and 4 percent in the cost of health care for children and adults respectively
- o A base health care cost of \$1,610 for a child and \$1,999 for an adult
- o A state match rate of 29.92 percent

Costs could vary markedly from that estimate depending on actual inflation and state Medicaid match rates.²

Workgroup Decision Point - The estimate to maintain enrollment during the 2009 biennium would be \$282,123 in state matching funds. Would the workgroup wish to request that DPHHS include the funding to continue enrollment in the Executive Planning Process and give the request a high department priority?

3. CHIP Outreach Cost Estimate

The workgroup requested information about the cost of the CHIP outreach plan developed after the December LFC meeting. DPHHS estimated that the media campaign would cost about \$50,000.³

DPHHS does not have an estimate of the number of children it hopes to enroll in CHIP due to the outreach campaign, but did issue a press release after the December LFC meeting that it anticipates enrolling an additional 2,000 children this fiscal year. DPHHS staff notes that if more children are eligible than there are slots, that it will establish a waiting list. DPHHS also notes that children would not be on the waiting list long since there would be slots opening July 1, 2006 as children move from CHIP to Medicaid when the family asset limit is raised from \$3,000 to \$15,000.

Workgroup Decision Point – Does the workgroup wish to request that the LFC continue to monitor CHIP enrollment and outreach, including the cost of outreach?

² For instance, the premium cost for coverage under the Children's Health Insurance Program (CHIP) increased about 6 percent from the 2004-05-contract year to the 2005-06-contract year. Additionally, DPHHS has expressed concerns that the state match rate could increase substantially within the next year.

³ Scott Sim, February 2, 2006, electronic communication.

4. Other Workgroup Decision Points from Legislative Staff Analysis

- a) Does workgroup wish to make a formal endorsement of the HIFA waiver?
 - i) If so, does the workgroup wish to include its preferences as part of the endorsement?
- b) Does the workgroup wish to take action on the first item listed for consideration on the top of 8 to obtain information from the Office of Budget and Program Planning on its estimates of income and expenditures from tobacco tax revenue each year of the HIFA waiver?
- c) Does the workgroup wish to request that the LFC continue to monitor certain issues in order to provide input as necessary? If so, would the workgroup wish to refer any of the following issues for further LFC consideration:
 - i. Use of the additional \$1.3 million for mental health services under the proposed waiver
 - ii. Enrollment of eligible Mental Health Services Plan (MHSP) participants in the new Medicare Part D prescription drug program and all issues associated with such enrollment
 - iii. Use of the physical health benefit as it relates to supplanting services that are to be provided through block grant payments to Community Mental Health Centers
 - iv. Management of the population that may move between MHSP and Medicaid eligibility

5. Representative Caferro Requests of Workgroup

Representative Caferro had two requests for consideration of the workgroup:

- a) Request that DPHHS raise the eligibility limit for the CHIP look alike slots to 200 percent of the federal poverty limit in its proposal to the Centers for Medicare and Medicaid Services
- b) Take legislative action to “roll” any unspent funds allocated for CHIP look alike slots forward to the following year to increase enrollment in the CHIP look alike program

Workgroup Decision Points – Does the workgroup wish to take action to endorse either of Representative Caferro’s requests? If so, would the workgroup like to also obtain LFC concurrence or formal action to request legislation to implement either point?

6. Appropriation Restrictions Limit DPHHS Flexibility

DPHHS staff noted that appropriation restrictions limit DPHHS flexibility and the workgroup asked for more information on the topic. The figure on the following page shows the total general fund and state special revenue appropriated to DPHHS over the 2007 biennium from HB 2, the pay plan bill, and other appropriation bills. About 8 percent of the total general fund and state special revenue appropriated to DPHHS over the 2007 biennium was restricted - \$69 million in restricted appropriations compared to total state funding of \$405 million.

Only 3 percent and 1 percent of total general fund appropriations were restricted in FY06 and FY07 respectively. Combined together direct-care worker and other provider rate increases in several divisions constituted the most significant general fund appropriation restriction (\$3.4 million, 4 percent of the total). The single largest general fund restricted appropriation supports childcare funding in Human and Community Services Division (\$2.4 million and 0.3 percent of the total amount restricted). The restricted general appropriations to expand the Program for Assertive Community Treatment (PACT) for adults with a serious and disabling mental illness and to fund state institution bed tax payments are each about \$2 million and each appropriation constitutes 0.2 percent of the total.

A much larger percentage of state special revenue appropriations are restricted - 37 percent and 24 percent in FY06 and FY07 respectively. The most significant state special revenue appropriation restrictions are:

- o Hospital bed tax (\$25 million, 3.1 percent of the total)
- o Nursing home intergovernmental transfer (\$11 million, 1.4 percent of the total)
- o Mental Health Services Plan (MHSP) (\$6.5 million, 0.8 percent of the total)
- o Big Sky Rx (SB 324) – (\$6 million, 0.7 percent of the total)
- o Direct care worker and provider rate increases (\$5 million, 0.6 percent of the total)
- o Medicaid benefits for children who become eligible due to raising the asset limit in FY 07 (\$2 million, 0.2 percent of the total)

2007 Biennium Restricted State Funding Appropriations - DPHHS								
Total State Appropriation by Source/Restricted by Division	<-----FY 2007----->			<-----FY 2008----->			Biennial Total	Percent of Total
	General Fund	State Special	Total	General Fund	State Special	Total		
HB 2	\$308,876,120	\$88,762,684	\$397,638,804	\$309,143,662	\$87,959,609	\$397,103,271	\$794,742,075	98.8%
Pay Plan/Other Appropriation Bills	<u>1,822,219</u>	<u>352,830</u>	<u>2,175,049</u>	<u>4,711,984</u>	<u>2,801,847</u>	<u>7,513,831</u>	<u>9,688,880</u>	1.2%
Total State Funds Appropriation	\$310,698,339	\$89,115,514	\$399,813,853	\$313,855,646	\$90,761,456	\$404,617,102	\$804,430,955	100.0%
<u>Restricted Appropriations by Division</u>								
Human and Community Services Division								
Child Care	\$2,400,000	\$0	\$2,400,000	\$0	\$0	\$0	\$2,400,000	0.3%
Energy Ombudsman	300,000	0	300,000	0	0	0	300,000	0.0%
Low-Income Energy Assist.	500,000	0	500,000	0	0	0	500,000	0.1%
Child and Family Services Division								
Foster Care								
Respite	51,344	0	51,344	51,344	0	51,344	102,688	0.0%
Transportation	111,101	0	111,101	111,101	0	111,101	222,202	0.0%
Diaper Allowance	59,294	0	59,294	59,294	0	59,294	118,588	0.0%
Clothing Allowance	131,200	0	131,200	131,200	0	131,200	262,400	0.0%
Rate Increase	192,000	0	192,000	192,000	0	192,000	384,000	0.0%
Group Home Rate Increase	102,000	0	102,000	102,000	0	102,000	204,000	0.0%
Director's Office								
Tribal Programs	52,000		52,000	0	0	0	52,000	0.0%
Fiscal Services								
Legislative Audit	137,988	6,272	144,260	0	0	0	144,260	0.0%
Public Health and Safety Division								
Tribal Tobacco Prevention	0	720,000	720,000	0	0	0	720,000	0.1%
Tribal Peer Counseling	60,000	0	60,000	0	0	0	60,000	0.0%
Quality Assurance Division								
Medicaid Payment Error Rate	134,468	0	134,468	155,336	0	155,336	289,804	0.0%
Disability Services								
MT Telecommunications Program	0	244,448	244,448	0	0	0	244,448	0.0%
DD Training	120,600	0	120,600	0	0	0	120,600	0.0%
DD Crisis	120,600	0	120,600	120,600	0	120,600	241,200	0.0%
DD Startup	500,000	0	500,000	0	0	0	500,000	0.1%
DD Wait List Reduction	326,138	0	326,138	335,700	0	335,700	661,838	0.1%
MT Development Center Bed Tax	860,168	0	860,168	858,263	0	858,263	1,718,431	0.2%
Extended Employment Follow Along	140,000	0	140,000	140,000	0	140,000	280,000	0.0%
Extended Employment Sheltered	70,000	0	70,000	70,000	0	70,000	140,000	0.0%
Independent Living	100,000	0	100,000	100,000	0	100,000	200,000	0.0%
Computer Tech Support to Blind	65,000	0	65,000	65,000	0	65,000	130,000	0.0%
Part C Early Intervention	90,000	0	90,000	90,000	0	90,000	180,000	0.0%
Direct-Care Worker Salary Increase	475,000	0	475,000	950,000	0	950,000	1,425,000	0.2%
Health Resources Division								
Hospital Bed Tax	0	11,504,525	11,504,525	0	13,171,367	13,171,367	24,675,892	3.1%
Physician Rate Increase	400,000	1,200,000	1,600,000	0	0	0	1,600,000	0.2%
Children's Mental Health Rate Incr	0	875,000	875,000	0	0	0	875,000	0.1%
Additional Medicaid Staff	117,934	0	117,934	0	0	0	117,934	0.0%
Prescription Drug Program (SB 324)	0	6,000,000	6,000,000	0	0	0	6,000,000	0.7%
HB 552 - Raise Medicaid Asset Limit	0	0	0	0	1,876,316	1,876,316	1,876,316	0.2%
Senior and Long Term Care								
Intergovernmental Transfer	0	4,992,719	4,992,719	0	6,080,522	6,080,522	11,073,241	1.4%
MT Veterans' Home Contingency	0	250,000	250,000	0	250,000	250,000	500,000	0.1%
Meals on Wheels	567,000	0	567,000	0	0	0	567,000	0.1%
In-home Caregiver	600,000	0	600,000	0	0	0	600,000	0.1%
Direct-Care Worker Wage Increase	1,000,000	300,000	1,300,000	0	0	0	1,300,000	0.2%
Veterans' Long-Term Care Study	0	50,000	50,000	0	0	0	50,000	0.0%
Addictive and Mental Disorders Division								
Assertive Community Treatment	745,152	0	745,152	861,684	0	861,684	1,606,836	0.2%
Nursing Care Center Bed Tax	180,127	0	180,127	211,915	0	211,915	392,042	0.0%
Mental Health Services Plan	<u>0</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,500,000</u>	0.8%
Total Restricted Appropriation	\$10,709,114	\$32,642,964	\$43,352,078	\$4,605,437	\$21,378,205	\$25,983,642	\$69,335,720	8.6%
Percent of Total Appropriation	3.4%	36.6%	10.8%	1.5%	23.6%	6.4%	8.6%	

Only 3 percent and 1 percent of total general fund appropriations were restricted in FY06 and FY07 respectively. Combined together direct-care worker and other provider rate increases in several divisions constituted the most significant general fund appropriation restriction (\$3.4 million, 4 percent of the total). The single largest general fund restricted appropriation supports childcare funding in Human and Community Services Division (\$2.4 million and 0.3 percent of the total amount restricted). The restricted general appropriations to expand the Program for Assertive Community Treatment (PACT) for adults with a serious and disabling mental illness

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Some of the policy reasons that the 2005 Legislature restricted these appropriations are:

- o Uncertainty that federal authority to use the funding mechanisms would continue (hospital tax, nursing home intergovernmental transfer)
- o Legislative desire to ensure that funding was used for the specified purpose (provider rate increases, Big Sky Rx, MHSP, state institution bed tax)

The authority to appropriate funds is perhaps the single most significant power given to the legislature by the state constitution. Restricting appropriations is a powerful policy tool of the legislature that courts have deemed legal.

Finally, state governments routinely administer programs with funding restrictions. For example, many federally funded grants and programs require states to follow rules and regulations with many notable funding and programmatic restrictions – Medicaid being a significant example.

A meaningful analysis of appropriation restrictions and whether such restrictions prove especially onerous, deserves more thorough consideration than can be accomplished in this paper.

Workgroup Decision Point – If the workgroup wishes to more fully research appropriation restrictions and state agencies' response to such restrictions it could request that the LFC consider this topic and request a report at a future meeting.

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